



# **Workforce Housing Program**

A Voluntary Bonus Density Program to Achieve Workforce Housing

**Prepared by:**

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## Executive Summary

The Workforce Housing Program was developed based on the recommendations of the Committee on Workforce Housing, a subcommittee of the Planning Commission, in a report to City Council in January 2007. The Comprehensive Plan, which is the City's official plan for its future says, among other things that the City's goals are to:

- “Provide an adequate supply of safe, decent, attractive and diverse housing, with a range of values including owner-occupied and rental units, to accommodate the present and future needs of all Virginia Beach residents” and
- “Increase the supply of high-quality, affordable housing for those in the low-moderate income bracket.”

The resulting Workforce Housing Program was designed to accomplish these goals.

The following summarizes key aspects of the Workforce Housing Program:

- The program is designed to improve the City's ability to provide affordable housing opportunities for those who live, or will be living in Virginia Beach, by increasing the supply of workforce housing (WFH) as part of the City's new housing production through encouraging increased density and mixed-use development in the non-AICUZ impacted Strategic Growth Areas and other appropriate areas of the City.
- The program offers an incentive in the form of a “bonus density” to developers who voluntarily build WFH Units in conjunction with the development of market-rate units. The unit density may be increased by no more than 30 percent over the density allowed in the underlying zoning district. In exchange for this increase in density, the developer must designate at least 17 percent of the total number of dwelling units as WFH Units. If the maximum increase in density of 30 percent is not achieved, the percentage of WFH Units required shall maintain the same ratio of 30 percent to 17 percent. For example, if a developer is applying for a 20 percent bonus density, then the percentage of WFH Units must be 11.33 percent of the total number of units. Developers can apply for the bonus density for both for-sale and rental units.
- The program establishes a Workforce Housing Advisory Board to advise and make recommendations to City Council on policies, procedures, sales and rental prices of WFH Units, and to report annually to City Council on the production of WFH Units, participation in the program and the achievement of program goals.
- The for-sale WFH Units must be affordable to households with an income level between 80 percent and 120 percent of Area Median Income (AMI). The program requires a baseline discount of 25 percent. This means that the price of a market rate unit should normally be discounted by 25 percent to reach a WFH Unit sales price that is within the acceptable affordability range. However, if the

developer can produce a market rate unit that already has a market sales price within the acceptable affordability range, the required WFH Discount may be less than 25 percent.

- Income Limits and Sales Prices recommended by WFH Advisory Board (as of 8/25/2008):

<u>Incomes by Household Size</u> <u>(80% - 120% Median Income)</u>		<u>Sales Prices by Household</u> <u>Size and Income Range</u>	
1 person:	\$36,456 - \$54,684		\$101,828 - \$165,252
2 persons:	\$41,664 - \$62,496		\$119,949 - \$192,434
3 persons:	\$46,872 - \$70,308		\$138,071 - \$219,615
4 persons:	\$52,080 - \$78,120		\$156,192 - \$246,797

- Developers must attend a pre-submittal meeting with staff from the Departments of Planning and Housing and Neighborhood Preservation prior to submitting an application for the WFH Overlay.
- Developers are required to complete a WFH Supplemental Application that is a part of the rezoning application filed with the Department of Planning. The application can take one of two forms. For example:
  - Rezoning for WFH Overlay only (A-12 to A-12 (WFH)); or
  - Rezoning for WFH Overlay and a new underlying zoning district (R-7.5 to A-12 (WFH)).
- WFH Units must meet required design guidelines, be essentially indistinguishable from the market-rate units and be fully integrated throughout the development.
- City Council must approve the rezoning application in order for WFH Units to be built.
- Participating developers must comply with all program requirements. Failure to comply will result in appropriate enforcement actions by the City of Virginia Beach.
- At the closing, the developer will sell the WFH Unit to an eligible buyer, and the eligible buyer will pay the developer the discounted sales price. The eligible buyer will have secured a first mortgage, and the City will provide a second mortgage in the amount of the WFH Discount. For example:

Fair Market Value of the WFH Unit	\$240,000.00
25 Percent WFH Discount	- 60,000.00
Discounted Sales Price (Amount due to Developer)	\$180,000.00

Initial Sales Price to Eligible Buyer	\$240,000.00
Eligible Buyer to Provide Own Financing for	\$180,000.00
City Holds Second Mortgage (25% WFH Discount)	\$ 60,000.00

- The City's second deed of trust (mortgage) secures repayment of the loan made by the City in the amount of the WFH Discount, plus a proportionate share of the net appreciation of the unit. For example, if the amount of the second deed of trust equals 25 percent of the initial sales price, the amount of shared net appreciation owed to the City will be 25 percent of the net appreciation of the unit. The City's second deed of trust carries a zero percent interest rate, requires no monthly payments, is subordinate only to the purchase money first deed of trust, and is due and payable from the proceeds of the resale or transfer of the WFH Unit. An owner of a WFH Unit may not repay the second deed of trust until the unit is resold.
- Buyers must live, work or have a bona fide offer of employment in the City of Virginia Beach within three months of application, meet income and asset requirements, and be able to secure their own financing (first mortgage, closing costs and down payment), in order to be considered for purchasing a WFH Unit.
- The owner of a WFH Unit must occupy the property as his or her primary residence. The unit cannot be rented without prior written consent from the Director of the Department of Housing and Neighborhood Preservation.
- In order to preserve the future affordability of a WFH Unit, the owner must offer the City first right of refusal when he or she wants to sell the unit. Should the City decide to purchase the unit, the City will receive the amount of the WFH Discount secured by its second deed of trust plus the shared net appreciation, which is then provided as a second deed of trust to a new eligible buyer in order to help them buy down their first mortgage.
- In order to preserve the future affordability of a WFH Unit, the owner must offer the City first right of refusal when he or she wants to sell the unit. The City may decide to purchase and hold the unit, or the City may opt to assign its right to purchase to a new eligible buyer. In either event, the City will receive the amount of the WFH Discount secured by its second deed of trust plus the shared net appreciation. If the City purchases and holds the unit, the recaptured funds will be deposited into the Workforce Housing Revolving Fund and these funds will be reinvested in the workforce housing program for the purpose of preserving or creating affordable housing. If the City assigns its right to purchase, the recaptured funds will then be provided as a second deed of trust to a new eligible buyer in order to help them buy down their first mortgage.
- No owner of a WFH Unit can refinance or encumber the unit with another mortgage loan, home equity loan or similar debt instrument without the prior written consent of the Director of the Department of Housing and Neighborhood

Preservation. Should written approval be granted, the owner shall not be permitted to refinance with a loan having a total loan-to-value ratio greater than the owner's proportional share of the initial purchase price.

- Rental Units are also possible under the Program. Developers desiring to build WFH Units for rent will complete the same application process as developers desiring to build WFH Units for sale.
- The rental WFH Units must be affordable to households with an income level between 60 percent and 90 percent of Area Median Income (AMI). Multi-family developments that contain elevators may rent WFH Units to households at income levels up to 100 percent AMI and may charge higher rents than developments without elevators.
- Rents will be based on the Area Median Income (AMI), a housing ratio of 30%, and an occupancy standard of 1.5 persons per bedroom similar to the Housing Tax Credit Program. The maximum gross monthly rents must include an allowance for all tenant-paid utilities (not to include cable television or telephone service). To arrive at the contract, or net rent, developers/property managers will deduct an utility allowance (may use DHNP's Section 8 Utility Allowance Chart or obtain a letter from the local utility company in order to establish the average monthly utility allowance) from the "gross" rents recommended by the WFH Advisory Board (as of 8/25/2008) listed below:

<b>Maximum Affordable Gross Monthly Rent</b>				
Median Income for 1 - 6 Person Household	Efficiency	1 BR	2 BR	3 BR
100% Median Income \$45,570 - \$75,516	\$1,139	\$1,302	\$1,465	\$1,758
90% Median Income \$41,013 - \$67,964	\$1,025	\$1,172	\$1,318	\$1,582
80% Median Income \$36,456 - \$60,413	\$911	\$1,042	\$1,172	\$1,406
70% Median Income \$31,899 - \$52,861	\$797	\$911	\$1,025	\$1,230
60% Median Income \$27,342 - \$45,310	\$684	\$781	\$879	\$1,055

- Property owners of rental WFH Units will enter into a regulatory agreement with the City which will set forth the terms and conditions of compliance with the WFH Program.
- Property owners and/or managers are responsible for, among other things:



- screening applicants to determine whether or not they qualify to participate in the program;
  - maintaining a waiting list of households they have screened and determined to be Eligible Renters and contacting Eligible Renters from the waiting list whenever a WFH Unit becomes available;
  - maintain documentation on each household currently occupying a WFH Unit, to include proof of residency and/or work requirements, composition of household, and annual gross income and for each household member;
  - recertifying annually that each household occupying a WFH Unit continues to meet program eligibility
- Renters must live, work or have a bona fide offer of employment in the City of Virginia Beach within three months of application, meet income and asset requirements, and be able to pay all of their own rent. Rents are not subsidized under this program.
  - Owners and Renters of a WFH Unit must comply will all program requirements. Failure to comply will result in appropriate enforcement actions by the City of Virginia Beach.

## **I. Program Foundations**

### **A. Program Goal and Principles**

The goal of the Workforce Housing Program is to support the achievement of the vision for housing and neighborhoods as stated in the “Housing and Neighborhoods” section of the City of Virginia Beach Comprehensive Plan by:

- Improving the City’s ability to provide affordable housing opportunities in Virginia Beach for those who work in Virginia Beach
- Increasing the supply of Workforce Housing as part of the City’s new housing production through encouraging increased density and mixed-use development in the non-AICUZ impacted Strategic Growth Areas and other appropriate areas of the City.
- Comprehensively preserving the character and values of our existing neighborhoods by providing assistance with their preservation and enhancement.

The following principles are the foundation from which the program’s goal was derived. These principles will ensure consistency with other comprehensive planning policies and will continue to shape the direction of the Workforce Housing Program.

#### *Quality*

We believe that quality in design and construction of housing and neighborhoods, at all price ranges, will be the most cost effective approach to achieving our goals over the long term. A lack of initial quality in the name of affordability or any other goal will only end up postponing costs and shifting them to others.

#### *Diversity*

We believe that the best approach to housing and neighborhoods is to maintain and improve upon the diversity in housing and neighborhoods that is already a positive component of our City. This diversity includes the type, value and design of housing and neighborhoods, which in turn, help the City meet its goals for a quality physical environment, family and youth opportunities and economic vitality. In addition, people from a variety of cultures, backgrounds, ages, races and capabilities will have greater opportunities to find and retain safe, decent and affordable housing.

#### *Mixed-income and Mixed-use development*

The planning and creation of mixed-income and mixed-use developments will advance the City’s goal of providing diverse, high-quality and affordable housing in desirable neighborhoods. Allowing a greater mix of incomes within neighborhoods increases the affordability of housing and reduces the isolation of income groups. Further, mixed-use and mixed-income developments are beneficial in the long run because they broaden housing opportunities, increase access to nearby jobs and provide a better land use arrangement to accommodate alternative, cost-effective transportation systems.

### *Equal Access to Housing and Neighborhoods*

We must continue to ensure that artificial barriers to persons who wish to live in our housing and neighborhoods are removed and/or not put in place.

## **B. Oversight and Reporting**

The City Council shall appoint a Workforce Housing Advisory Board to advise the City on the policies, procedures, and outcomes of the Workforce Housing Program. The composition of the advisory board shall meet the requirements set forth in §15.2-2305 of the Code of Virginia. The advisory board shall report to the City Council on these aspects of the program on an annual basis.

Workforce Housing Advisory Board (WFHAB) role is to advise the City on sales and rental prices of WFH Units and advise DHNP on requests for modifications of the requirements of the program. The board also recommends regulations regarding sales and rental prices and recommends procedures concerning requests for modifications of the program. The board makes an annual report to the City Council on the production of WFH Units, participation in the program, and achievement of program goals. The board consists of at least ten members appointed by City Council with the following qualifications:

- Civil engineer or architect who is registered or certified with the relevant agency of the Commonwealth or planner with extensive experience in practice in the City (two members)
- Real estate person or broker licensed in accordance with Chapter 21 (§54.1-2100 et seq.) of Title 54.1 (one member)
- Representative of a lending institution which finances residential developments in the City (one member)
- Representative from a local housing authority or local governing body or its designee (one member)
- Residential builder with extensive experience in producing single-family detached and attached dwelling units (one member)
- Residential builder with extensive experience in producing multi-family dwelling units (one member)
- Representative from either the City's public works or planning department (one member)
- Representative of a nonprofit housing organization which provides services in the City (one member)
- Citizen of the locality (one member)

*Note: The establishment of the WFHAB is required by §15.2-2305 of the Code of Virginia. The statute states that the members of the board shall be appointed by the City Council or its designee and that at least four of the members be employed in the City of Virginia Beach.*

## C. Program Definitions

*Affordability Level Statement* – A statement of the number of Workforce Housing Units that are affordable to eligible buyers at 80 percent, 90 percent, 100 percent, 110 percent, and 120 percent of Area Median Income, respectively, or to eligible renters at 60 percent, 70 percent, 80 percent, 90 percent and, where the building contains an elevator, 100 percent of Area Median Income.

*Affordable* - Housing is generally considered affordable if no more than approximately 30% of the gross household income of the purchaser or renter is spent on direct housing costs. For purchasers, such costs include mortgage principal, interest, taxes, homeowner's insurance, mandatory homeowners' association dues, and condominium fees, but do not include utilities or other related housing costs. For renters, such costs include rent payments and an allowance for tenant-paid utilities other than cable television or telephone service, but do not include other related housing costs.

*Annual Gross Income* – Income from whatever source derived and before taxes and withholdings. Included in the calculation of gross income are base salary, overtime, part-time employment, bonuses, commissions, dividends, interest, royalties, pensions, military housing allowance, Veterans Administration compensation, alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income from trusts, and other income from business activities or investments.

*Appreciation*- The workforce housing program uses a shared appreciation model to recapture the WFH Discount and a percentage of the appreciation in value equal to the percent of the initial WFH Discount that made the unit affordable to the targeted income. For the purposes of the WFH program the following definitions regarding appreciation apply:

*Gross Appreciation*- the difference between the Resale Price of a workforce housing unit received by an Eligible Buyer upon resale of the unit to a third party and the Initial Sales Price that the Eligible Buyer paid for the unit.

*Net Appreciation*- The amount of the Resale Price of a workforce housing unit, less the total amount of: (i) the original principal amount of the first mortgage loan on the unit, (ii) the principal amount of the workforce housing deed of trust note on the unit, (iii) closing costs actually paid by the Eligible Buyer in connection with the purchase of the unit, (iv) the Eligible Buyer's down payment, (v) the appraised value of any capital improvements approved by the Director of Housing and Neighborhood Preservation, and (vi) the reasonable and customary sales commission paid by the Eligible Buyer.

*Shared Net Appreciation*- the amount of the net appreciation owed to the city by the purchaser of a workforce housing unit, which shall be equal to the proportional share represented by the city's investment in the original purchase of the unit as evidenced by the Equity Sharing Agreement. For example, if the amount of the workforce housing deed of trust note equals 25 percent of the Initial Sales Price of the unit, the amount of shared net appreciation owed to the city will be 25 percent of the net appreciation of the

unit. The amount of the shared net appreciation and principal amount of the workforce housing deed of trust note is repaid to the city upon resale of the unit.

*Area Median Income (AMI)* –The Area Median Income for the Virginia Beach-Norfolk-Newport News, Virginia Metropolitan Statistical Area (MSA) is published annually by the U.S. Department of Housing and Urban Development (HUD) and is adjusted for household size. Pricing of the Workforce Housing Units and End-User qualifications are partially based on this published data in accordance with the WFH Program. The sales price of the WFH Unit is based on the ratio of housing payments relative to the AMI. Additionally, the End User's income qualifications are based on the AMI adjusted for household size.

*Bonus Density* – An increase in the maximum allowable dwelling unit density on a property attributable to the provision of workforce housing on that property.

*Department of Housing and Neighborhood Preservation (DHNP)* - The Virginia Beach City department having overall administrative responsibility for the Workforce Housing Program.

*Discounted Sales Price* - The consideration paid for the Workforce Housing Unit to the developer. However, in the case of a resale, the Discounted Sales Price is the difference between the Initial Sales Price and the amount of funds provided by the City, as evidenced by a Promissory Note, to help buy down the Eligible Buyer's first mortgage.

*Eligible Buyer*- A household whose Workforce Housing application has been approved and who meets all the home ownership requirements of the Workforce Housing Program. These requirements center on gross annual income, financial assets, and location where one works and lives. To purchase a Workforce Housing Unit, a household's annual gross income must generally be between 80 percent and 120 percent of AMI.

*Eligible Renter*- A household whose Workforce Housing application has been approved and who meets all the requirements of the Workforce Housing Program for rental housing. These requirements center on gross annual income, financial assets, and location where one works and lives. To rent a Workforce Housing Unit, a household's annual gross income must generally be between 60 percent and 90 percent of AMI, or where the building contains an elevator, between 60 percent and 100 percent of AMI.

*End-user* – An Eligible Buyer or Renter household that is or will be occupying a Workforce Housing Unit as a primary residence.

*Equity Sharing Agreement* - An agreement between the City and Eligible Buyer in which the Eligible Buyer agrees to share the Net Appreciation with the City upon the resale of the Workforce Housing Unit.

*Household* – One or more persons living in, or intending to live in, the same Workforce Housing Unit.

*Housing Ratio* - The ratio of a household's total monthly housing costs to its monthly gross income. These costs include mortgage (principal and interest), taxes, and insurance. A housing ratio of 30 percent means that a household spends 30 percent of its gross monthly income for housing costs. A housing ratio of 30% or less is generally considered to be affordable.

*Initial Sale* - The original sale of a Workforce Housing Unit to an Eligible Buyer.

*Initial Sales Price* - The consideration paid for the Workforce Housing Unit by the Eligible Buyer.

*Resale Price* - The sales price of the Workforce Housing Unit that the Eligible Buyer receives upon the sale of the Workforce Housing Unit to a third-party.

*Strategic Growth Area (SGA)* – Areas of the City that are designated in the Comprehensive Plan to absorb most of City's future growth, both residential and non-residential. These areas, which are planned for more intensive uses than most other areas of the City, are characterized by the integration, not separation, of diverse but compatible uses including, where appropriate, residential uses.

*Workforce Housing (WFH)* – Housing that is generally affordable to households with working members who live or will be living in the City of Virginia Beach. For home ownership, it is housing that is priced to be affordable to households with annual incomes between 80% and 120% of AMI. For rentals, it is housing that is priced to be affordable to households with annual incomes between 60% and 90% of AMI or, where the building contains an elevator, between 60% and 100% AMI.

*Workforce Housing Advisory Board (WFHAB)* – An advisory board appointed by the City Council that advises the City on sales and rental prices of Workforce Housing Units, recommends modifications of the requirements of the Workforce Housing Program, provides recommendations of sales and rental prices for Workforce Housing Units, and recommends procedures concerning requests for modifications of the Workforce Housing Program.

*Workforce Housing Application* – An application submitted to the City that provides the necessary information to determine if a household qualifies for the Workforce Housing Program. Participation in the program is contingent upon approval of this application.

*Workforce Housing Deed of Trust* - A deed of trust securing the repayment of the loan made by the City to an Eligible Buyer representing the Workforce Housing Discount, plus the Shared Net Appreciation of the unit. The loan secured by a workforce housing deed of trust carries a zero percent interest rate, requires no monthly payments, is subordinate only to the purchase money first deed of trust, and is due and payable from the proceeds of the resale or transfer of the Workforce Housing Unit.

*Workforce Housing Discount* – The difference in sales price between the fair market value of a workforce housing unit and the reduced sales price necessary to make such unit affordable to a household at a targeted income level.

*Workforce Housing Revolving Fund* – A fund administered by the Department of Housing and Neighborhood Preservation for the recapture of workforce housing discounts, fees and shared net appreciation from the sale of workforce housing units. Funds are reinvested in the Workforce Housing Program for the purpose of preserving or creating affordable housing.

*Workforce Housing Unit (WFH Unit)* - A dwelling unit that is reserved for sale or rent by an Eligible buyer or Eligible renter. Workforce housing units are constructed as a result of the bonus density provisions that allow the construction of a greater number of dwelling units on a specific parcel of land than is otherwise allowed in exchange for the provision of workforce housing on the parcel.

#### **D. Roles and Responsibilities**

*City of Virginia Beach*- is responsible for administrating the WFH program. The Departments of Housing and Neighborhood Preservation and the Planning will work jointly to implement and run the program.

*City of Virginia Beach Department of Planning* – Reviews a developer’s application for the WFH Program as part of its comprehensive review of the developer’s proposed development. Receives input from the DHNP in order to make a final determination on a project’s eligibility for incentives under the Workforce Housing Program. The Planning Department and Housing and Neighborhood Preservation will determine if incentives are applicable and which ones could be provided to the proposed development. In the case of a rezoning or conditional use permit, the Planning Director will further present the recommendation to the Planning Commission and City Council for final approval.

*City of Virginia Beach Department of Housing and Neighborhood Preservation*- has operational oversight of the program and reports on all aspects of the program to the City Manger, City Council and the Workforce Housing Advisory Board.

*Developer* – Works with the DHNP and the Department of Planning to ensure that a proposed development complies with WFH Program requirements. In exchange for a density increase and other possible incentives, the developer agrees to produce a specified number of WFH Units and to sell or rent them under the WFH Program guidelines.

*Rental Property Owner/Manager* – Ensures that the rental property containing WFH Units is properly managed under the requirements of the WFH Program. The property owner/manager also screens potential renters to determine if they qualify to participate in the WFH Program.

## **II. Development Incentive Components of For-Sale Program –**

### **A. Development Incentives**

The City of Virginia Beach offers incentives to encourage developers to participate in the WFH Program. The incentives help to offset the cost of voluntarily producing discounted WFH Units through the sale of additional market rate units. The additional market rate units will come from a bonus density awarded to the property on which the development is built. The financial benefit of selling these additional market rate units is enhanced by the fact that the developer has no additional land costs associated with the construction of these units. The sale of the additional market rate units will help to offset the WFH Discount that applies to the sales price of each WFH Unit. Because the City does not want to make participation in this program cost prohibitive in any way and desires to reach households at a broad range of income levels, it will work diligently with developers to find ways that they can meet the program requirements while not suffering an economic loss.

#### **1. Bonus Density**

The primary incentive that the City offers to a development for participating in the WFH Program is an increase in dwelling unit density, or bonus density. Applicable to areas deemed suitable by the City's Comprehensive Plan or approved by City Council, a bonus density is awarded in addition to a property's current zoning classification or in addition to a zoning classification that has been determined appropriate for a property. To achieve this increase in density, a developer must seek rezoning approval from the City. The ultimate authority for the issuance of a rezoning rests with the City Council. Bonus densities up to 30 percent may be awarded to developments participating in this program.

In order to support the increase in density on a property, the City permits reasonable modifications to planning standards through a WFH Zoning Overlay District. The WFH Zoning Overlay District allows for practical adjustments to such development requirements as minimum lot size, lot coverage, building setbacks, building height restrictions, parking requirements, distances from parking garages, open space requirements, and locational or other requirements of residential units including the residential portions of a mixed-use development.

#### **2. Other Incentives**

At its discretion, the City may offer additional incentives to developers who propose to build WFH Units that are affordable to households below 100 percent of Area Median Income. The intent of these other incentives is to encourage and support the expansion of the affordability range of WFH Units. In order for the City to offer these incentives, the proposed development must meet the minimum eligibility standards or threshold to receive the Workforce Housing bonus density. Listed below are the additional incentives that the City may provide to developers:



1. *Fee Waivers* - the City may make available to a residential or a residential portion of a project, a program of waiver, reduction or deferral of development fees, and/or other administrative fee waivers.

2. *Payment of Fees from Alternative Funding Sources* – At its discretion, the City may use alternative funding sources to assist the developer with the payment of required development fees (water and sewer) for WFH Units.

3. *Public Improvement Contributions* - the developer may apply for public improvement contributions to help offset certain development costs. The public improvements can include off-site and on-site development components that are located exclusively in the public right of way or on public property or an appurtenance thereto that is directly associated with the project. Such public improvements can include but are not limited to installation or upgrading of public streets, sidewalks, traffic signals, landscaping, drainage facilities, water and sewer facilities, and parking spaces within public parking garages.

4. *Assistance with or the Facilitation of Financing for a Development* - the City may provide financing or assistance in obtaining financing to reduce the cost of the project.

5. *Direct Financial Assistance* – At its discretion the City may make available Community Development Block Grants (CBDG) and HOME Investment Partnership Act (HOME) and/or other funds to assist in the development or sale of WFH Units.

## **B. Project Eligibility Standards**

In order for the City to consider issuing a bonus density, a development must meet the following standards:

- A development must be in compliance with applicable sections of the Code of Virginia concerning affordable dwelling units as well as the City of Virginia Beach's zoning and program ordinances governing its WFH Program. Specifically, a development must agree to set aside 17 percent of its total units as WFH Units in order to receive a full 30 percent bonus density. In the event that a 30 percent bonus density is not achieved, the development must agree to set aside a number of WFH Units that will maintain the same ratio of 30 percent to 17 percent.
- At a minimum, all WFH Units must be affordable to a household of 4 at an income level not to exceed 120 percent of Area Median Income.
- The development must be located in a non-AICUZ impacted Strategic Growth Area or another appropriate area within the City limits.

- The WFH Units must be fully integrated throughout the development. They must be externally indistinguishable from market rate units and have interiors that are reasonably similar to market rate units within the development. Additionally, the pace of WFH Unit production must reasonably coincide with the construction of market rate units.

**See Appendix A for information on Strategic Growth Areas**

The City will consider other project proposals that do not necessarily meet these specific eligibility standards if such a project increases the number of WFH Units and is in keeping with the intent and goals of the WFH Program.

**C. Developer Compliance**

Participating developers must comply with all program requirements. Failure to comply will result in appropriate enforcement actions by the City of Virginia Beach. DHNP and/or the Planning Department will initiate and monitor these enforcement actions. The following chart summarizes a development's program requirements and penalties for noncompliance. Penalties will vary based on the specific violation and at what stage of the development process the violations occurred. One or more penalties may be applied depending on the type of violation.

**Developer's Compliance**

<b>Program Violation</b>	<b>Penalties</b>
Failure to build the agreed upon number of WFH Units.	An injunction issued by the City.
	Withholding of certificates of occupancy until correct number of units is identified.
	Payment of the discount subsidy for all WFH Units not yet built.
Failure to build WFH Units that do not meet the building standards of the program (i.e.. externally indistinguishable and with reasonably similar interiors)	Withholding of certificates of occupancy until Units are brought to within program standards.
	Stop work order issued by the City on all construction if builder fails to resolve issue in timely manner.
Failure to integrate WFH Units throughout development	Withholding of certificates of occupancy until appropriate units throughout development can be designated WFH Units.
	Stop work order issued by the City on all construction if builder fails to resolve issue in timely manner.
Failure to produce WFH Units at a pace that reasonable coincides with market rate unit construction	Stop work order issued by the City on all construction until a new production schedule is accepted by the City.

<b>Program Violation</b>	<b>Penalties</b>
Failure to sell WFH Unit at the appropriate discounted price	Payment of the difference between the correct discounted price and the actual sales price to the City or end-user.
	Payment of any associated recordation fees or legal fees.
Failure to offer the City the first right to purchase WFH Units	An injunction issued by the City.
	Withholding of certificates of occupancy until issue is resolved with the City.

## **D. Housing Unit Affordability**

The City of Virginia Beach establishes maximum affordable sales prices for WFH Units. These calculated affordable sales prices are adjusted semiannually by DHNP and create a benchmark for developers to use when determining whether or not a project meets the affordability requirements of the WFH Program.

### **1. Calculating WFH Unit Sales Price**

For a for-sale unit to be considered affordable under the WFH Program and thus classified as a WFH Unit, it must be affordable to a household with an income level between 80 percent and 120 percent of AMI. When calculating an acceptable sales price for a WFH Unit, one must consider several factors. Among these factors are AMI, mortgage interest rates, real estate tax rates, homeowner's insurance rates, mandatory homeowner association fees, condominium fees, housing ratios, and size of targeted households. The City will establish acceptable criteria for each of these factors and will make the final determination as to whether a project meets the program's affordability standards. Additionally, the City will provide a spreadsheet planning tool to assist developers in determining if their project will qualify for the program.

**See Appendix B for a listing of affordable WFH Unit sales prices as of August 25, 2008.**

### **2. Workforce Housing Discount**

To reach an acceptable affordable sales price for a WFH Unit, the developer may be required to apply a discount to the price of an equivalent market rate unit. This discount is known as the Workforce Housing Discount. The program requires a baseline discount of 25 percent. This means that the price of a market rate unit should normally be discounted by 25 percent to reach a WFH Unit sales price that is within the acceptable affordability range. All WFH Units must be affordable to households with incomes between 80 percent and 120 percent of AMI.

However, should a developer be able to produce a market rate unit that meets the design standards of the WFH Program and that already has a market sales price that is within the

acceptable affordability range, the required Workforce Housing Discount may be less than 25 percent. The chart below illustrates the required discount applied to a WFH Unit given the affordability of an equivalent market rate unit.

Affordability Range of Market Units (as a Percent of AMI)		Required Workforce Housing Discount
From	To	
NA	80%	1%
81%	90%	5%
91%	100%	10%
101%	110%	20%
111%	120%	25%

In all cases the Workforce Housing Discount should be sufficient to bring the WFH Unit sales price within a price range that is affordable to households with incomes between 80 percent and 120 percent of AMI. The actual amount of the Workforce Housing Discount is subject to the approval of the City and will be finalized during the developer's application process.

## **E. Developer Application Process**

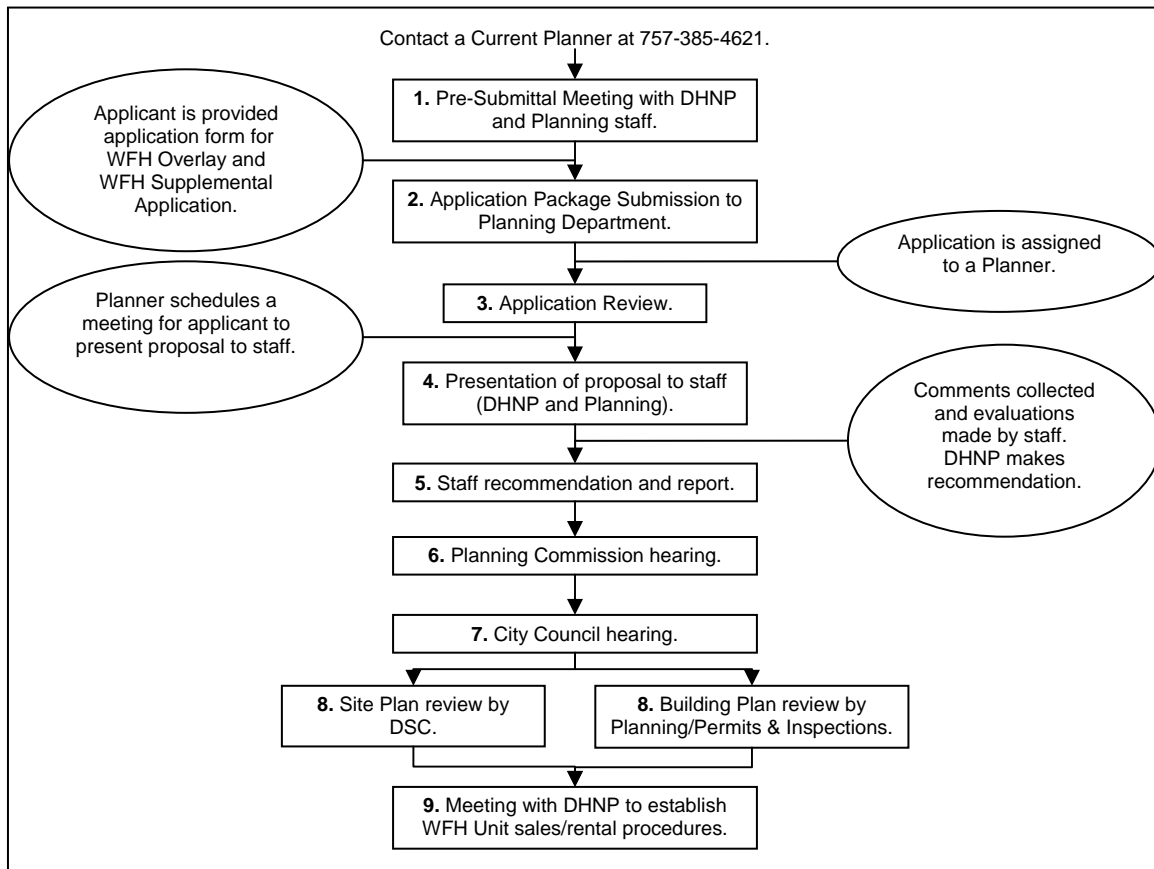
### **1. Application Process**

To participate in the WFH Program, a developer must follow the following application process:

1. Contact a Current Planner at 757-385-4621 to arrange a Pre-Submittal Meeting to discuss the proposed development with staff from the Planning Department (Current Planning Division) and DHNP.
2. Planning Department provides the applicant with an application form for a WFH Overlay Permit and a WFH Supplemental Application form. After the applicant completes it, he or she submits an application package to the Planning Department staff.
3. Application is assigned to a Planner, who reviews the application package for completeness and routes it to City and State agencies per standard process. The WFH Supplemental Application is routed to the DHNP.
4. Planner schedules a meeting for the applicant to present his or her proposal to the staff of the Planning Department and the DHNP. At the meeting the applicant responds to any comments through new submissions.
5. After the meeting all comments from the Planning staff are collected. The Director of DHNP also provides comments and a recommendation to be included in the report given to the Planning Commission. The Planning Department then makes its evaluation and generates the report including its final recommendation to the Planning Commission.
6. Planning Commission hearing.

7. City Council hearing.
8. Site Plan review (DSC) and building plan review (Planning / Permits and Inspections).
9. Developer meets with DHNP to establish procedure for sale of units to Eligible Buyers.

### **Developer Application Process Overview**



## **2. Workforce Housing Supplemental Application**

A developer is required to complete a Workforce Housing Supplemental Application that is a part of the rezoning application filed with the Department of Planning. To satisfactorily demonstrate that the proposed development qualifies for the bonus density and other WFH program incentives, the applicant must provide all of the information and materials contained in the Supplemental Application checklist below. This information must be provided to the Planning Department in order for the WFH Overlay District application to be considered complete.

Supplemental Application checklist:

- Survey of existing site conditions, including trees, contours, floodway, flood fringe, waters, wetlands, and other natural features

- Narrative statement of planning objectives for the proposed development
- Construction schedule, including a schedule of construction of WFH Units
- Detailed land use plan, which shall, at a minimum, consist of:
  - Architectural elevations for proposed structures, including building materials and colors
  - General landscape plan and tree preservation plan
  - Detailed description of the differences in size, interior layout and construction materials between WFH Units and other dwelling units of the same type
  - An Affordability Level Statement
  - Total area to be included in the WFH Overlay District
  - Location of residential uses and total number and type of proposed dwelling units, including the location, number and type of WFH Units
  - Types of nonresidential uses proposed, if any, including the area and gross floor area proposed for such nonresidential development
  - Gross floor area of all structures
  - Location of all buildings, streets, alleys, and pedestrian walkways
  - Regulations governing height, setbacks, floor area ratio, lot coverage, impervious surface, accessory structures (sheds, swimming pools, etc.), signs, and fences
  - Number and location of parking spaces, including parking structures
  - Proposed improvements to adjacent streets
  - Open space and recreation areas, including areas inside buildings
  - Green development features, such as porous paving or pavers, native landscaping, reduced street lengths, reduced pavement width, bio-retention islands, shared parking, vegetated swales in lieu of curb and gutter or other features of development intended to enhance environmental quality

**See Appendix C for the WFH Supplemental Application form**

Prior to the filing of an application with the Planning Department, the applicant must meet with staff from the Department of Planning (Current Planning Division) and the DHNP as described above in order to discuss the proposed development and the strategy for providing Workforce Housing. Contact a Current Planner at 757-385-4621 to arrange this meeting.

**F. Initial Sale of WFH Units by Developers For Homeowner Occupied Units**

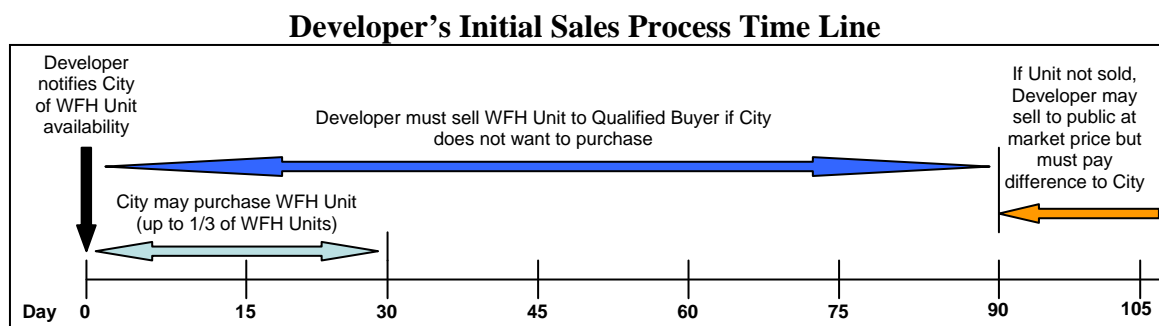
**1. City's Right to Purchase**

The City of Virginia Beach shall have an exclusive right to purchase up to one-third of the for-sale WFH Units within a development. This right shall extend over a 30-day period beginning the date on which the City is notified that a Unit is available for sale. The City will notify the developer within 15 days if possible, but no later than 30 days, whether or not it elects to purchase the WFH Unit. If the City does not exercise its right

to purchase the WFH Unit, it will then become eligible for sale to an Eligible Buyer. The City may only exercise its right to purchase on one-third of the total number of WFH Units.

The remaining two-thirds of WFH Units and any of the one-third WFH Units which the City had the right to purchase but elected not to will be offered for sale exclusively to Eligible Buyers for a 90-day period beginning the date on which the City is notified that the Units are available for sale.

After the 90-day time period has expired, any WFH Unit which has not been sold to the City or an Eligible Buyer may be offered for sale to the general public. Upon the sale of a WFH Unit to a non-Eligible Buyer, the developer shall pay to the WFH Program the difference between actual sales price and the discounted WFH Unit sales price.



## 2. Developer's Initial Sales Process

As soon as a developer knows when a WFH Unit will become available for sale, the developer should notify the City. At that time the City will determine whether or not to purchase the WFH Unit. Should the City decide not to purchase the Unit, it will become available for sale to an Eligible Buyer.

The City will maintain a list of households who have been pre-screened and determined to be Eligible Buyers. Once a WFH Unit becomes available for sale to an Eligible Buyer, the City will verify that the Eligible Buyer continues to meet all program eligibility standards and provide them with documentation identifying them as a WFH Eligible Buyer so that they may visit the property to determine if they are interested in purchasing the Unit.

Once an Eligible Buyer desires to purchase a WFH Unit, he/she will sign a sales agreement with the developer and notify the City. At that point, the developer will enter into a WFH participation agreement with the City whereby he/she agrees to sell a specific WFH Unit to the Eligible Buyer. The Eligible Buyer also enters into a WFH participation agreement with the City, which states that the City has entered into an agreement with the developer for the developer to sell a specific WFH Unit to the Eligible Buyer. This agreement specifies the Initial Sales Price to be paid by the Eligible Buyer for the unit and the Discounted Sales Price to be paid to the developer. At the closing, the developer sells the WFH Unit to the Eligible Buyer at fair market price. The

Eligible Buyer will use a first mortgage loan for the Discounted Sales Price and a second mortgage loan provided by the City for the amount of the WFH Discount.

*Note: The City reserves the right to reject any lending which it considers predatory to the Eligible Buyer.*



### **III. End-User Components of the For-Sale Program –**

#### **A. Benefits to End-User**

##### **1. Discounted Sales Price**

Eligible Buyers of the WFH Program are eligible to purchase a designated WFH Unit. The sales price of a WFH Unit must be affordable to households at a specific income level with a housing ratio that is acceptable to the City. The sales price for a WFH Unit is discounted from an equivalent unit's normal market price. The specific amount of this WFH Discount is negotiated between the developer and the City.

##### **2. Home Purchase Assistance**

The City provides Eligible Buyers with a second mortgage to assist in the purchase of an appropriate WFH Unit. This second mortgage equals the value of the WFH Discount on the particular WFH Unit and is not due until the owner rents, resells, or transfers the property or the owner no longer resides in the Unit. If necessary, the City may also provide additional financial assistance in order to meet the particular affordability needs of a Eligible Buyer.

*Note: Renting a WFH Unit is strictly prohibited unless DHNP grants explicit approval in writing.*

##### **3. Homebuyer Education**

The City will provide group seminars to educate buyers on purchasing and maintaining a home. Additionally, individual counseling sessions will be held as needed. The City may also work with potential buyers in obtaining first mortgage financing and will assist them throughout all steps of the closing process for a WFH Unit. It is mandatory for all home buyers to receive home buyer's education prior to the date of closing on a WFH Unit.

#### **B. End-User Eligibility Standards**

##### **1. Population to be served**

The For-Sale Program is intended to serve households generally earning between 80 percent and 120 percent of Virginia Beach's Area Median Income (AMI) as adjusted for household size. AMI is determined by the U. S. Department of Housing and Urban Development (HUD) which publishes its median income guidelines on an annual basis. WFH Income Guidelines are partially based on this published data. DHNP will provide the most current HUD AMI guidelines upon request.

## 2. Eligibility Criteria

Eligibility for the For-Sale Program depends on an interested household meeting specific income and asset requirements. The income requirements for this program are based on the area median household income, also known as AMI, for the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area (MSA). AMI is published by HUD and is adjusted annually. Any changes or updates to the published AMI will cause relative adjustments to the income requirements for the program.

A household that satisfactorily meets all of the eligibility criteria for the For-Sale Program will become an Eligible Buyer. The household must meet these criteria before entering any purchase agreement for a WFH Unit. The City will recertify that an Eligible Buyer meets the program eligibility standards at the time of entering the purchase agreement.

The eligibility criteria for the For-Sale Program are as follows:

1. The person/family must currently live **OR** work full-time in the City of Virginia Beach at the time of application **OR** at the time of application must provide acceptable documentation of full-time employment in the City of Virginia Beach that will occur within 3 months of the time of application. One or more of the adult household members who will be listed on the deed of trust must meet this requirement.

**AND**

2. The applicant may not own other real estate property or have any controlling interest in any other real estate property.

**AND**

3. A household's gross annual income must be between 80 percent and 120 percent of AMI adjusted for household size for the Virginia Beach-Norfolk-Newport News MSA.

**AND**

4. Eligible households cannot have a net worth exceeding 50 percent of the sales price of the WFH Unit being financed.

In addition to meeting the eligibility standards of the program, an Eligible Buyer must meet the qualifications and underwriting standards of a mortgage lender who is acceptable to the City. The City reserves the right to reject any lending which it considers predatory to potential buyers.

*Note 1: One person or multiple persons are eligible to be the borrower or borrowers for homes sold under this program if such person or all such persons satisfy the program requirements.*

*Note 2: Being eligible for the For-Sale Program does not guarantee a household the opportunity to purchase a WFH Unit given that the demand for WFH Units may likely exceed the available supply. Eligible Buyers must find, contract for and be able to finance their purchase of a WFH unit.*

### **3. Gross Income Guidelines**

For the purposes of the WFH Program, a household's annual gross income encompasses the combined annual gross income of all persons residing or intending to reside in a WFH Unit from whatever source derived and before taxes and withholdings. Included in the calculation of gross income are base salary, overtime, part-time employment, bonuses, commissions, dividends, interest, royalties, pensions, military housing allowance, Veterans Administration compensation, alimony, child support, public assistance, sick pay, social security benefits, unemployment compensation, income from trusts, and other income from business activities or investments.

Annual gross income is calculated by projecting forward a person's monthly gross income for 12 months. Income such as bonuses, overtime, and commissions will be averaged for the most recent 12 month period. If this type of income information does not extend back for a complete 12 month period, the City or its designated agent may average any year-to-date bonuses, overtime, and commissions to arrive at an equivalent calculation. The average monthly income from bonuses, overtime, and commissions is then added to the person's average monthly base salary. This figure is then multiplied by 12 to determine the person's annual gross income. Income from bonuses, overtime, and commissions shall be included in the calculation of gross income unless the person's employer documents that such earnings will not continue.

*Note 1: Income that may not be eligible for use in qualifying for a mortgage loan may be required to determine whether a household meets the WFH Program gross income requirements. Income from all household members (excluding dependents where specifically indicated) must be included in gross income calculations, even if these individuals will not be on the loan.*

*Note 2: Alimony and child support must be included in determining maximum gross income, if such income is specified in a divorce settlement or separation agreement, unless the applicant certifies that the income is not being received and documents that he or she has made reasonable effort to collect the amount due including filing with courts or agencies responsible for enforcing payments.*

*Note 3: Income received as a one-time lump sum (such as inheritance, settlement of insurance claim, re-enlistment bonus), which is nonrecurring, does not need to be*

*included in calculating a household's annual gross annual income but will be included in the calculation of net worth.*

All household members must be identified on the WFH Program application. Household members whose income is not considered for the purposes of qualifying for a mortgage loan must still disclose their income on the WFH Program application. This standard applies to both dependent and non-dependent household members. Household members who do not have any income must still be identified on the program application and zero dollars indicated for their annual gross income. Please see the chart below for exceptions to income.

#### **Household Member Income**

<b>Household member</b>	<b>Status</b>	<b>Income Counted Towards Household Income</b>
Under age 18	Earned income from employment	No
Age 18-24 and a full time student	Earned Income from employment for full time student if non borrower, non head of household or spouse	No
Age 25 and over	Member of Household; not on deed or mortgage; non spouse, non- dependent. Student status does not matter.	Yes

#### **4. Household Net Worth Guidelines**

The value of life insurance policies, retirement plans, furniture, automobiles and household goods shall not be included in determining a household's net worth. In addition, the portion of the applicant's liquid assets, which are used to make the down payment and to pay closing costs, up to a maximum of 25 percent of the sales price, will not be included in the net worth calculation.

Any income producing assets needed as a source of income to meet the minimum qualifying requirements of the WFH Program will not be included in the borrower's net worth for the purpose of determining if this net worth limitation has been violated.

#### **C. End-User Application Process**

A household that is interested in participating in the WFH Program must first complete an application with all required documentation to the City. This application requires

place of residency, employment, income, and asset information for all household members. All requested information is verified and documented by the City. The City reserves the right to set a time limit that an application will be valid. Upon expiration of the time limit for an application, a household will have to re-apply for the program. The City may charge an application fee each time an application is submitted.

In order to complete the process of purchasing a WFH Unit, a household must also secure adequate financing that is subject to the approval of the City. The City reserves the right to reject any lending practice that is considers predatory and detrimental to the household. The City may charge a program administration fee to each Eligible Buyer who purchases a WFH Unit.

#### **D. Applicants and Owner's Compliance**

Participating persons who apply for and/or purchase WFH units must comply with the all program requirements. Failure to comply will result in appropriate enforcement actions by the City of Virginia Beach. DHNP will monitor and initiate these enforcement actions. The following chart summarizes the end-user program violations and their respective penalties. The following chart summarizes requirements and penalties for noncompliance for applicants and owners of WFH units. Penalties will vary based on the specific violation and at what stage of the application or purchase process the violations occurred. One or more penalties may be applied depending on the type of violation.

#### **Applicant and WFHU Owner Compliance**

<b>Program Violation</b>	<b>Penalties</b>
Falsification of eligibility requirements	Permanent ineligibility for the WFH Program.
	Must sell WFH Unit to the City.
	Immediate payment of the City's share of net appreciation on the Unit at resale.
	Immediate repayment of the second mortgage.
Failure to occupy WFH Unit as primary residence	Immediately reoccupy WFH Unit.
	If unable to reoccupy unit, the following penalties apply:
	1. Permanent ineligibility for the WFH Program.
	2. Must sell WFH Unit to the City.
	3. Immediate payment of the City's share of net appreciation on the Unit at resale.
	4. Immediate repayment of the second mortgage.

<b>Program Violation</b>	<b>Penalties</b>
Failure to comply with all City regulations for property maintenance	Immediate correction of code violation.
	If unable to correct code violations in prescribed time period, the following penalties apply:
	1. Permanent ineligibility for the WFH Program.
	2. Must sell WFH Unit to the City.
Failure to comply with refinancing and home equity loan requirements of WFH Program	3. Immediate payment of the City's share of net appreciation on the Unit at resale.
	4. Immediate repayment of the second mortgage.
	Permanent ineligibility for the WFH Program.
	Must sell WFH Unit to the City.
Failure to offer the City first right to purchase when desiring to sell Unit	Immediate payment of the City's share of net appreciation on the Unit at resale.
	Immediate repayment of the second mortgage.
	Further legal action as deemed appropriate by the City.
	Immediate payment of the City's share of net appreciation on the Unit at resale.
End-user enters into a lease-to-purchase agreement for the Unit	Must sell WFH Unit to the City.
	Immediate payment of the City's share of net appreciation on the Unit at resale.
	Immediate repayment of the second mortgage.

## **E. Refinance and Resale of WFH Unit**

### **1. Refinance Restrictions**

In order for an owner or a lender to record a debt instrument of any kind against a WFH Unit, he or she must first submit a written request to DHNP. This program requirement applies anytime that an owner wants to refinance his or her existing mortgage loan, take out a third mortgage loan, or take out a home equity loan. In all cases the owner or lender shall submit his or her request no later than 30 days prior to the owner's desired closing date.

The owner or lender shall provide any information required by DHNP to adequately process the request including a Market Approach to Value appraisal of the WFH Unit. The appraisal must be prepared by a licensed Virginia real estate appraiser and is subject to the approval of DHNP. In addition, the owner or lender will be charged a reasonable transaction fee to cover the administrative expenses associated with processing the request.

The City will only subordinate to a first deed of trust. The City will not subordinate to any third mortgage loan or home equity loan that is junior to its second deed of trust. In no case shall the owner be allowed to pay off the second mortgage issued by the City until he or she resells the WFH Unit to the City or another entity.

In no circumstance may the owner refinance his or her WFH Unit with a loan that has a total loan-to-value ratio greater than the owner's proportional share of the initial purchase price. The loan-to-value ratio is the ratio of the value of the loan with which the owner will finance the Unit to the fair market value of the Unit.

## **2. Second Mortgage and Shared Appreciation**

In order to preserve the affordability of a WFH Unit and to preclude a windfall on the resale of a WFH Unit, a second mortgage loan secured by a deed of trust in the amount of the final WFH Discount will be recorded against the property by the City. The second mortgage loan carries a zero percent interest rate, has no monthly payments, and is due at the time of resale or transfer of the WFH Unit. The second mortgage may also be called if the City determines that the owner is in violation of any program obligation.

In addition to paying back the second mortgage at the time of resale or transfer, the owner must pay the City a share of net appreciation in the price of the WFH Unit as evidenced by an Equity Sharing Agreement. The share of net appreciation owed to the City is equivalent to the share represented by the City's investment in the original purchase. In other words, if the amount of the second mortgage equals 25 percent of the original purchase price, the share of net appreciation owed to the City is 25 percent.

When calculating the WFH Unit's net appreciation at time of resale, the City may exclude any increase in the appraised value of the WFH Unit that came as a result of durable, long-lasting capital improvements made by the end-user that will transfer with the unit upon resale. It should be emphasized that the increase in value is based on the increase in appraised value at time of resale and not the cost of the improvement to the end-user. If a capital improvement does not result in an increase in the appraised value of the WFH Unit, then it will be included in the City's calculation of net appreciation. It is recommended that an end-user consult a licensed Virginia real estate appraiser before making any capital improvement to determine whether or not it will likely result in an increase in the appraised value of the WFH Unit.

Under these terms, the owners will earn roughly the same amount of equity that they would have earned if they had purchased a less expensive house without the original subsidy, or second mortgage. Additionally, the City will be able to reinvest the amount of the second mortgage and its share of the appreciation to help future Eligible buyers purchase a WFH Unit.

**See Appendix D for an illustration of a second mortgage/shared appreciation model**

*Note: The City may at its sole discretion waive the payment of any portion of its share of appreciation in order to mitigate the possibility of the owner suffering a net loss at resale.*

### **3. End-User's Resale Process**

When an owner eventually decides to sell his or her WFH Unit, he or she must first offer the City the option to purchase it. In other words, the City has the option to purchase the WFH Unit before the owner can offer it for sale to the general public. The owner must notify the City of his or her intent to sell at least 30 days prior to the date on which he or she wants to put the WFH Unit up for sale. At that time the City will determine whether or not it will purchase the Unit. The City has 30 days from the date on which it was notified by the owner to make its decision.

The City may exercise its option to purchase or assigns its option to purchase to another WFH Eligible Buyer; it will offer the owner the fair market price for the WFH Unit. Fair market price will be determined by a Market Approach to Value appraisal which is based on the fair market value of comparable properties that have recently sold. The appraisal must be prepared by a licensed Virginia real estate appraiser and is subject to the City's approval. Should the City decide not to purchase or assign its right to purchase the WFH Unit, the owner will be notified in writing and the WFH Unit will become available for sale to the general public.

Regardless of to whom the owner sells his or her WFH Unit, he or she must pay the City an amount equal to the initial subsidy, or second mortgage loan, plus a percentage of the net appreciation in the Unit's market price. The percentage of net appreciation owed to the City is equivalent to the City's share of the initial purchase price. For example, if at the time of initial purchase the amount of the second mortgage loan equaled 25 percent of the total sales price of the WFH Unit, the owner would owe the City at time of resale 25 percent of the Unit's net appreciation in addition to the value of the second mortgage loan.

When the City purchases or assigns its option to purchase a WFH Unit from an end-user, it will make the Unit available for sale to another Eligible Buyer. The City will notify the Eligible Buyers on its prescreened list so that they may visit the property to determine if they are interested in purchasing the Unit. The Unit will be available for purchase to Eligible Buyers for a period of 90 days. If no Eligible Buyers express interest in purchasing the WFH Unit after 90 days, the Unit will become available for sale to the general public.

Should an Eligible Buyer desire to purchase the WFH Unit within the 90 day period, the City will recertify that the Eligible Buyer meets all of the program eligibility standards. At that time, The City will enter into a WFH Participation Agreement with the Eligible Buyer whereby the Eligible Buyer agrees to purchase the WFH Unit at the fair market price. If necessary, the City will provide a second mortgage to ensure that the WFH Unit is affordable to the new Eligible Buyer. The Eligible Buyer will also sign a purchase agreement with the owner in a form acceptable to the City. The new end-user of the WFH



Unit will be subject to the same resale and refinance restrictions, and repayment of any and all WFH discounts and net appreciation to the City as the previous end-user.

## **F. Property Controls**

Housing units developed under the Workforce Housing Program carried controls or restrictions on who can purchase the units, resale restrictions and require the owner to agree to return a proportional share of their earned appreciation on the home to the City when they sell the unit. Owners must offer the City the first right to purchase the home.

### **Property Restrictions for WFH Ownership Units**

Type of Restriction	Time In Place	Conditions/Limitations
Eligibility to Purchase	Runs with life span of unit unless city does not exercise its option to purchase	Only households who meet program requirements and that have been determine to be Eligible Buyers may purchase
Workforce Housing Deed of Trust Securing Workforce Housing Discount (lien on property)	Documents are signed at closing to be recorded after the closing. Stays in place until the owner sells the unit to the city or another buyer.	Secures the City's position to collect the WFH discount that was provided to make the unit affordable. Limits the owner's ability to incur additional debt on the property. Will require City approval to refinance
Payment of Share of Net Appreciation to City	Equity Sharing Agreement recorded with or is included in the WFH Deed of Trust. Stays in place until the owner sells the unit to the City or another buyer.	Secures City's ability to collect it's proportional share of appreciation due based on the percentage of the initial WFH discount at time of purchase of the unit
City's Right to Purchase	Stays in place until the City purchases the unit or provides the owner with written approval to proceed with a market sale.	Owner of the WFH Unit must contact the City when they desire to sell the unit. City has first right to purchase based on a market based appraisal.
Resale of Home	City has first right to purchase; if City declines owner may sell on open market, but is still required to repay original WFH Discount and proportional share of net equity as required by program	City at its sole discretion may waive any portion of payment of net equity to prevent owner from suffering a loss at time of resale.

## **IV. Rental Program –**

### **A. Rental Property Eligibility Standards**

In order for the City to consider issuing a bonus density, a rental property development must meet the following standards:

- A development must be in compliance with all sections of the Code of Virginia concerning affordable dwelling units as well as the City of Virginia Beach's ordinances governing its WFH Program. Specifically, a development must agree to set aside 17 percent of its total units as WFH Units in order to receive a full 30 percent bonus density. In the event that a 30 percent bonus density is not achieved, the development must agree to set aside a number of WFH Units that will maintain the same ratio of 30 percent to 17 percent.
- All WFH Units for rent must be affordable to a household of 4 at an income level not to exceed 90 percent of Area Median Income.
- The development must be located in a non-AICUZ impacted Strategic Growth Area or another appropriate area within the City limits.
- The WFH Units must be fully integrated throughout the development. They must be externally indistinguishable from market rate units and have interiors that are reasonably similar to market rate units within the development. Additionally, the pace of WFH Unit production must reasonably coincide with the construction of market rate units.

The City will consider other rental property developments that do not necessarily meet these specific eligibility standards if such a project increases the number of WFH Units and is in keeping with the intent and goals of the WFH Program.

### **B. Rental Development Compliance**

The rental property owner will cause to record a regulatory agreement with the City. The regulatory agreement will be provided by the City and will set forth the terms and conditions of compliance with the WFH Program and for preserving the long term affordability of the WFH rental units.

Failure of the owner to comply with the occupancy and rent requirement will result in a monetary penalty of \$50.00 per day payable by the owner for each day the unit is out of compliance unless it is determined by DHNP that the owner has taken immediate corrective action to cure the non-compliance. The property must comply with the income and rent limitations for a period of 50 years.

Property owners and/or managers must make available at all times to DHNP a copy of their most current tenant selection criteria or/and policy.

## **C. Owner/Developer's Processes**

### **1. Developer's Application Process**

Developers desiring to build WFH Units for rent should complete the same application process as developers desiring to build WFH Units for sale. This process is delineated in Section II of this document.

### **2. Rental Process**

A developer who is building WFH Units for rent shall notify DHNP approximately 45 days prior to the WFH Units being ready for initial occupancy. In the notification the developer shall supply the following information on the WFH Units:

- Name of multi-family complex
- Location or address of complex
- Number of Units by type (garden, town home, high rise, etc)
- Size of Units in square feet
- Number of bedrooms and bathrooms for each Unit
- Market unit rental rates
- WFH Unit rental rates
- Contact information for interested households.
- Presence of an elevator in building(s)

Also, current owners and/or managers of WFH Units for rent shall notify DHNP in a timely manner when a WFH Unit becomes available for rent. DHNP will maintain on its website a comprehensive list of all properties with available WFH Units for rent.

Property owners and/or managers shall rent WFH Units only to households who meet the eligibility standards of the WFH Rental Program. Before an interested household may enter a rental agreement for a WFH Unit, it must undergo a screening process to determine whether or not it qualifies to participate in the WFH Program. This screening process is performed by the property owner and/or manager. All property owners and/or managers of WFH Units for rent shall maintain a list of households that it has screened and determined to be Eligible Renters.

Property owners and/or managers shall also maintain documentation on each household currently occupying a WFH Unit for rent, or end-user. At a minimum, this documentation should include the following:

- Proof of Virginia Beach residency and/or work requirements for purposes of ensuring WFH Program eligibility
- Composition of the household
- Annual Gross income for the household and each of the household members

Property owners and/or managers must ensure all persons living in a WFH Unit are listed on the rental agreement. The City reserves the right to access the records of the property owner and/or manager to ensure compliance with the program requirements. Additionally, the City may enter any WFH Unit for rent to verify that it is appropriately occupied by an Eligible Renter.

Property owners and/or managers must periodically verify that end-users continue to meet the WFH Program's eligibility standards. This verification shall be done on an annual basis and each time an end-user renews a rental agreement.

If during program eligibility verification a property owner and/or manager determines that an end-user's annual gross income has exceeded 90 percent of AMI, the owner and/or manager has two options. He or she must either require that the end-user vacate the WFH Unit when the current rental agreement expires or offer the next available market rate unit to an Eligible Renter at an affordable WFH rental price. In either case the end-user whose income exceeded 90 percent of AMI must be disenrolled from the WFH Rental Program.

#### **D. Maximum Rent and Monitoring of Rent Prices**

Property owners of WFH Units for rent must enter into a regulatory agreement with the City. This agreement requires that the owner and/or manager establish an annual rent amount for each WFH Unit in accordance with the WFH Program guidelines. The owner and/or manager must annually certify in writing to DHNP that the rent amounts for their WFH Units and the households that occupy those Units are in compliance with the WFH Program requirements.

The rent shall be affordable to households whose gross income levels are between 60 percent and 90 percent of AMI. Exact rent amounts for each WFH Unit may vary based on the type and size of the Unit. The City will reevaluate and recalculate affordable rent amounts for WFH Units on an annual basis.

Multi-family developments that contain elevators may charge higher rents than developments without elevators. In multi-family developments with elevators, property owners and/or managers may rent WFH Units to households at income levels up to 100 percent of AMI.

See Appendix B for a listing of affordable rent prices for WFH Units as of August 25, 2008.

#### **E. Rental Application Process**

The City will provide information on where WFH rental units are located. Any household interested in renting a WFH Unit must complete an application for the WFH Rental Program. This application requests information on residency, location of employment,

gross income and net worth information for each household member and is processed by the rental property owner or manager. Gross income and net worth calculations are performed using the same guidelines as those found in WFH For-Sale Program. These guidelines are delineated in Section III of this document.

A household that completes an application and satisfactorily meets all of the eligibility criteria will become an Eligible Renter. At that time, the household will be placed on a waiting list at the rental complex where they made application with other currently Eligible Renters. When a WFH Unit becomes available for rent at that location, the property owner and/or manager will notify the Eligible Renters on the list so that they may view the Unit.

In addition to completing the WFH Program screening process to become an Eligible Renter, a household must also satisfactorily complete the rental property owner/manager's tenant application before entering into a rental agreement for a WFH Unit. The owner reserves the right to review all tenant applications and make tenant selections based on their own tenant selection policy.

All households must re-qualify on an annual basis and/or at the time of rental agreement renewal for participation in the WFH Rental Program. Should the property owner and/or manager determine that an end-user no longer qualifies to participate in the program, that household will be required to leave the WFH Rental Program. The household may continue to rent the Unit at the WFH rental price until its current rental agreement expires. At that time, the household must either vacate the Unit or enter another rental agreement with the property owner and/or manager. In the new rental agreement the household must commit to paying the market rental price.

*Note: Being approved for the Rental Program does not guarantee a household the opportunity to enter a lease given that the demand for WFH Units for rent may likely exceed the available supply.*

## **F. End-User Eligibility Standards**

Being eligible for the Rental Program involves one or more persons within an interested household meeting specific income and asset requirements. The income requirements for this program are based on the median family income, also known as AMI, for the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area (MSA). AMI is published by HUD and is adjusted annually. Any changes or updates to the published AMI will cause relative adjustments in the income requirements for the program.

The eligibility criteria for the Rental Program are as follows:

1. The person/family must currently live **OR** work full-time in the City of Virginia Beach at the time of application **OR** must provide acceptable documentation of full-time employment in the City of Virginia Beach within 3

months of the time of application. One or more of the adult household members who will be listed on the rental agreement must meet this requirement.

**AND**

2. The applicant may not own other real estate property or have any controlling interest in any other real estate property.

**AND**

3. A household's gross annual income must be between 60 percent and 90 percent of AMI adjusted for household size for the Virginia Beach-Norfolk-Newport News MSA.

A household that meets these criteria and desires to rent a WFH Unit must complete an application for the WFH Rental Program with the rental property owner and/or manager. This application will determine whether or not the household is qualified to participate in the Rental Program. A household must successfully complete the screening process before it can become eligible to rent a WFH Unit.

#### **G. Rental Compliance for Tenants Leasing a WFH Unit**

Any household who leases a WFH unit created under the program must comply with all program requirements. Where more than one penalty is prescribed, they shall be deemed cumulative, such that any or all such penalties may be imposed.

#### **Rental Program Compliance Requirements for Tenants**

<b>Program Violation</b>	<b>Penalties</b>
Falsification of eligibility requirements such as income, residency, employment or persons who will be occupying the unit, etc.	Permanent loss of eligibility for the WFH Program.
	Must move from the units within 60 days from date of written notice of being in violation of program
	Must pay market rate rent on the unit until the unit is vacated
	Household is ineligible to reapply for rental housing under the program.
Failure to occupy WFH Unit as primary residence	Immediately reoccupy WFH Unit.
	If unable to reoccupy unit, the following penalties apply:
	1. Permanent loss of eligibility for the WFH Program.
	2. Must move from the unit within 60 days. 3. Required to pay market rate rent on unit after receiving notice of violation until unit is vacated

Program Violation	Penalties
Failure to list all persons living in the household on lease; allowing person or persons not listed on lease to move in after lease is signed	1. Permanent loss of eligibility for the WFH Program.
	2. Must move from the WFH Unit.
	3. Required to pay market rate rent until household is in compliance or moves from the unit.
	4. Unauthorized persons must immediately move from WFH unit.

## APPENDIX A: Strategic Growth Areas

Twelve Strategic Growth Areas (SGAs) are designated, mapped and generally analyzed in the Comprehensive Plan. New residential developments are recommended to be appropriate in five of the SGAs (specifically SGAs 1 through 5). The remaining SGAs are encumbered by the Oceana AICUZ noise zones and any new residential development is considered inappropriate and contrary to the City policy. The SGAs consist of approximately 9,700 acres and are broken down in the following chart:

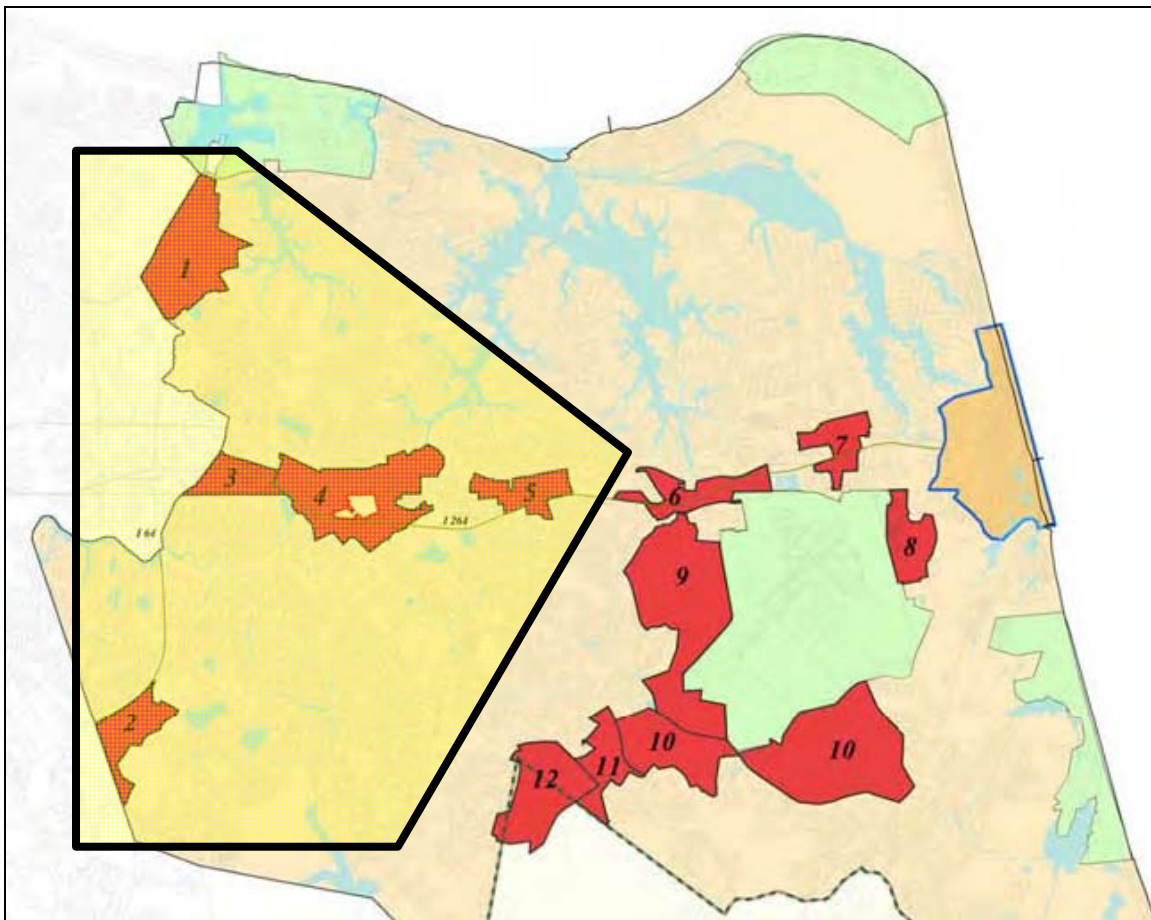
SGA #	Name	Size in Acres	Is Residential Use Appropriate?
1	Northampton Blvd	1,000	Yes
2	I-64 South	400	Yes
3	Newtown Area	350	Yes
4	Pembroke	1,200	Yes
5	N. Rosemont	<u>350</u>	Yes
SUB-TOTAL		<b>3,300 (34%)</b>	
6	N. London Bridge	450	No
7	Hilltop/N. Oceana	350	No
8	E. Oceana	400	No
9	W. Oceana	1,700	No
10	S. Oceana	2,300	No
11	W. Holland	400	No
12	N. Princess Anne Commons	<u>800</u>	No
SUB-TOTAL		<u>6,400 (66%)</u>	
<b>TOTAL</b>		<b>9,700</b>	

Although SGAs 6 through 12 are not appropriate for residential development, the potential development of employment opportunities in those areas and the need for transportation within and between all of them must be a key consideration in the overall planning of these areas, and can drive the need for additional WFH within the SGAs and in other parts of our City. The Comprehensive Plan generally indicates the intensity of residential development that is considered appropriate in each SGA. A summary is outlined below:



SGA #	Name	Description of Appropriate Development
1	Northampton Blvd	Residential development no higher than 12 DU/Ac.
2	I-64 South	Range of development compatible with nearby educational, telecommunication, and residential land uses.
3	Newtown Area	A mix of mid to high rise residential.
4	Pembroke	Town Center: intense high quality vertical integration of mixed use including residential. West Pembroke: mid and high-rise vertical mixed use that includes residential.
5	N. Rosemont	Bonney Road West: mixed use that includes residential. The goal is to increase the balanced mix of urban residential and commercial uses. Medium density residential is recommended on the north side of Virginia Beach Blvd. Over time the land closer to I-264 should redevelop into medium to high rise residential and mixed use.

Below is a map showing the locations of SGAs 1 through 5 (highlighted in yellow box).



## APPENDIX B: 2008 WFH Income Guidelines, Affordable Home Sales Prices, and Affordable Monthly Rents

Workforce Housing Program Income Guidelines as of February 13, 2008								
Household Income	Number in Household							
	1	2	3	4	5	6	7	8
120% Median Income	\$54,684	\$62,496	\$70,308	<b>\$78,120</b>	\$84,370	\$90,619	\$96,869	\$103,118
110% Median Income	\$50,127	\$57,288	\$64,449	\$71,610	\$77,339	\$83,068	\$88,796	\$94,525
100% Median Income	\$45,570	\$52,080	\$58,590	\$65,100	\$70,308	\$75,516	\$80,724	\$85,932
90% Median Income	\$41,013	\$46,872	\$52,731	\$58,590	\$63,277	\$67,964	\$72,652	\$77,339
80% Median Income	\$36,456	\$41,664	\$46,872	\$52,080	\$56,246	\$60,413	\$64,579	\$68,746
70% Median Income	\$31,899	\$36,456	\$41,013	\$45,570	\$49,216	\$52,861	\$56,507	\$60,152
60% Median Income	\$27,342	\$31,248	\$35,154	\$39,060	\$42,185	\$45,310	\$48,434	\$51,559

Area Median Income for a household of 4 in Virginia Beach is \$65,100.

Maximum Affordable Home Sales Prices as of August 25, 2008								
Household Income	Number in Household							
	1	2	3	4	5	6	7	8
120% Median Income	\$165,252	\$192,434	\$219,615	<b>\$246,797</b>	\$268,542	\$290,287	\$312,032	\$333,778
110% Median Income	\$149,396	\$174,313	\$199,229	\$224,145	\$244,079	\$264,012	\$283,945	\$303,878
100% Median Income	\$133,540	\$156,192	\$178,843	\$201,494	\$219,615	\$237,736	\$255,857	\$273,978
90% Median Income	\$117,684	\$138,071	\$158,457	\$178,843	\$195,152	\$211,461	\$227,770	\$244,079
80% Median Income	\$101,828	\$119,949	\$138,071	\$156,192	\$170,688	\$185,185	\$199,682	\$214,179

Factors used in these calculations:

Area Median Income

Housing Ratio = 30%

Homeowner's insurance rate = \$0.25 per \$100

Real estate tax rate = \$0.89 per \$100

Monthly Condominium Fee = \$150

Mortgage = fixed 6% interest rate with 360 terms (30 years)

Maximum Affordable Monthly Rent* (includes tenant-paid utility allowance) as of August 25, 2008					
Household Income	Efficiency	1 BR	2 BR	3 BR	4 BR
100% Median Income	\$1,139	\$1,302	\$1,465	\$1,758	\$1,888
90% Median Income	\$1,025	\$1,172	\$1,318	\$1,582	\$1,699
80% Median Income	\$911	\$1,042	\$1,172	\$1,406	\$1,510
70% Median Income	\$797	\$911	\$1,025	\$1,230	\$1,322
60% Median Income	\$684	\$781	\$879	\$1,055	\$1,133

Factors used in these calculations:

Area Median Income

Housing Ratio = 30%

Occupancy Standard of 1.5 Persons Per Bedroom (similar to Housing Tax Credit Program)

\*All tenant-paid utilities (not to include cable television or telephone service) must be deducted from the above rent. Developers/Property Managers may use the Department of Housing and Neighborhood Preservation Section 8 Utility Allowance Chart, or obtain a letter from the local utility company in order to establish the average monthly utility allowance.

## **APPENDIX C: Supplementary Workforce Housing Application (for Developers)**

### **SUPPLEMENTARY INFORMATION REQUIRED FOR A WORKFORCE HOUSING OVERLAY APPLICATION**

#### **INFORMATION**

This form is to be completed and returned with the Change of Zoning application for a Workforce Housing (WFH) Overlay District, when the applicant is applying for the "Bonus Density for Workforce Housing" as provided for in Section 2106 of the City Zoning Ordinance.

**Prior to the filing of an application with the Planning Department**, the applicant must meet with staff from the Department of Planning / Current Planning and the Department of Housing and Neighborhood Preservation in order to discuss the proposed development and the strategy for providing Workforce Housing. Please contact a Current Planner at 385-4621 to arrange this meeting.

#### **WORKFORCE HOUSING**

Pursuant to Sections 2100-2106 of the City Zoning Ordinance, it is the policy of the City Council to encourage the development of high-quality housing that is: (1) affordable by households with annual incomes of between 80% and 120% of Area Median Income (AMI); or (2), for rental purposes, by households with annual incomes of between 60% and 90% of AMI, adjusted for family size, who live or work in Virginia Beach;. Because such households generally, although not uniformly, consist of one or two working members, such housing is termed "workforce housing." In order to accomplish that goal, City Council has established incentives for the construction of workforce housing in areas of the City, including Strategic Growth Areas, in which the Comprehensive Plan recognizes increased density to be appropriate.

The dwelling unit density in the Workforce Housing Overlay District may be increased by a maximum of thirty (30) per cent over the density allowed in the underlying zoning district if all of the following conditions are met:

- (a) Not less than seventeen per cent (17%) of the total number of dwelling units are workforce housing units. In the event the maximum allowable density is not increased by thirty (30) per cent, the percentage of workforce housing units required shall maintain the same ratio of thirty (30) per cent to seventeen (17) per cent;

- (b) Workforce housing units shall be integrated into the development to the same extent as other dwelling units and shall not be clustered in discrete locations separate from other dwelling units;
- (c) The construction of workforce housing units shall reasonably coincide with that of other units;
- (d) Workforce housing shall conform to the Workforce Housing Design Criteria and any other applicable design standards in the Comprehensive Plan, including, but not limited to, the following standards:
  - i. The exterior of workforce housing units shall have the same building materials and finish, and be effectively indistinguishable from, non-workforce housing units of the same housing type;
  - ii. Workforce housing units shall be comparable in bedroom mix, design, and overall quality of construction to the market rate units in the development, except that workforce housing units shall not be required to exceed three (3) bedrooms per unit; and
  - iii. The square footage and interior features of workforce housing units shall not be required to be the same as other dwelling units in the development units, so long as they are reasonably similar in size and quality and are consistent with the current building standards for new housing in the City of Virginia Beach.

## **APPLICATION REQUIREMENTS**

### **APPLICATION PROCEDURE**

To satisfactorily demonstrate that the proposed development qualifies for the bonus density and other Workforce Housing incentives, the applicant must provide all the information and materials contained in the application checklist, below. This information must be provided to the Planning Department in order for the Workforce Housing (WFH) Overlay application to be considered complete. This is additional information beyond that required with the submission of the Change of Zoning application.

### **Application Checklist**

1. A legal description of all properties to be incorporated in the project.
2. Current and Proposed Zoning
3. Bonus Density being requested

4. Total number of housing units by type of unit (townhome, single-family detached, duplex, etc.), square footage, and number of bedrooms.
5. Number and type of Work Force Housing Units (WFHU) to be produced
6. Projected Sales Price for Market Rate and WFHU units by type of unit
7. Location map for WFHU
8. Time line for housing production

### **Additional Requirements**

In addition to any other information generally required for rezoning applications, applications for the Workforce Housing Overlay District shall contain the following information:

1. An Affordability Level Statement;
2. A detailed land use plan, which shall, at a minimum, consist of:
  - a) Architectural elevations for proposed structures, including building materials and colors;
  - b) A detailed description of the differences in size, interior layout and construction materials between workforce housing units and other dwelling units of the same type;
  - c) A construction schedule, including a schedule of construction of workforce housing units;
  - d) The location of residential uses and total number and type of proposed dwelling units, including the location, number and type of workforce housing units;
  - e) Green development features, such as porous paving or pavers, native plant landscaping, reduced street lengths, reduced pavement width, bio-retention islands, shared parking, vegetated swales in lieu of curb and gutter or other features of development intended to enhance environmental quality.

## APPENDIX D: Second Mortgage/Shared Appreciation Example

The following chart illustrates an example of how the second mortgage loan plus shared appreciation works.

Year	Unit's Market Value	1st Mortgage Remaining Principle	Recaptured second mortgage + City's Share of Appreciation	Second + Share of Appreciation as a % of Market Value	Owner's Earned Equity
0	\$240,000	\$180,000	\$60,000	25%	\$0
1	\$249,600	\$177,790	\$62,400	25%	\$9,410
2	\$259,584	\$175,443	\$64,896	25%	\$19,245
3	\$269,967	\$172,951	\$67,492	25%	\$29,524
4	\$280,766	\$170,306	\$70,192	25%	\$40,268
5	<b>\$291,997</b>	<b>\$167,498</b>	<b>\$72,999</b>	<b>25%</b>	<b>\$51,500</b>
6	\$303,677	\$164,516	\$75,919	25%	\$63,241
7	\$315,824	\$161,351	\$78,956	25%	\$75,517
8	\$328,457	\$157,990	\$82,114	25%	\$88,352
9	\$341,595	\$154,422	\$85,399	25%	\$101,774
10	<b>\$355,259</b>	<b>\$150,634</b>	<b>\$88,815</b>	<b>25%</b>	<b>\$115,810</b>
11	\$369,469	\$146,613	\$92,367	25%	\$130,489
12	\$384,248	\$142,343	\$96,062	25%	\$145,843
13	\$399,618	\$137,810	\$99,904	25%	\$161,903
14	\$415,602	\$132,997	\$103,901	25%	\$178,704
15	<b>\$432,226</b>	<b>\$127,888</b>	<b>\$108,057</b>	<b>25%</b>	<b>\$196,282</b>
16	\$449,515	\$122,463	\$112,379	25%	\$214,673
17	\$467,496	\$116,704	\$116,874	25%	\$233,918
18	\$486,196	\$110,590	\$121,549	25%	\$254,057
19	\$505,644	\$104,098	\$126,411	25%	\$275,135
20	<b>\$525,870</b>	<b>\$97,206</b>	<b>\$131,467</b>	<b>25%</b>	<b>\$297,196</b>
21	\$546,904	\$89,890	\$136,726	25%	\$320,289
22	\$568,781	\$82,121	\$142,195	25%	\$344,464
23	\$591,532	\$73,874	\$147,883	25%	\$369,775
24	\$615,193	\$65,118	\$153,798	25%	\$396,277
25	<b>\$639,801</b>	<b>\$55,822</b>	<b>\$159,950</b>	<b>25%</b>	<b>\$424,029</b>
26	\$665,393	\$45,952	\$166,348	25%	\$453,092
27	\$692,008	\$35,474	\$173,002	25%	\$483,532
28	\$719,689	\$24,350	\$179,922	25%	\$515,417
29	\$748,476	\$12,539	\$187,119	25%	\$548,818
30	<b>\$778,415</b>	<b>\$0</b>	<b>\$194,604</b>	<b>25%</b>	<b>\$583,812</b>

At time of resale, the City will recapture the value of the second mortgage plus its share of the WFH Unit's net appreciation in market value (light blue column). In this example, the City's share of net appreciation will be 25 percent because the value of the second mortgage (\$60,000) is 25 percent of the Unit's initial market value (\$240,000). As shown in the purple column, the value of the second mortgage added to the City's share of net appreciation always equates to the same percent of the Unit's market value, in this

case 25 percent. At time of resale, the owner will roughly earn an amount equal to the amount in the Owner's Earned Equity column (green column).

The information in the chart is further represented in the graph below.

